A. L. Gilbert Company
P.O. Box 38 - 304 N. Yosemite
Oakdale, California 95361-0038
(209) 847-1721 • 524-9261 • Fax (209) 847-3542

Since 1892

Bulk Dairy Feeds Sacked Feeds Liquid Feeds Field Seeds

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Surface Transportation Board
Office of the Secretary
Case Control Unit, Att.:STB Ex Parte No. 582
1925 K St., N.W.
Washington, D.C. 20423-0001

RE: NOTICE OF INTENT TO PARTICIPATE
EX PARTE NO 582

Dear Sir:

Here is a copy of the proceedings to be presented.

Sincerely,

Pat Kirby

Pat Kirby
A.L. Gilbert Company

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Statement for Public Hearing on March 10,2000

My name is Pat Kirby , and I am responsible for grain procurement and transportation for the A.L. Gilbert Company of Oakdale,California.We have used rail transportation services since 1892.Our company is located in central California and is the oldest continually operated family business in Stanislaus County.We receive annually over 4300 cars of grain and grain products ,which provide over 400,000 tons to our mills.

I appreciate the opportunity afforded to us to appear today and the willingness of the Surface Transportation Board to hear our views regarding a BNSF/CN merger.

California is one of the largest Agricultural producing areas in the U.S.We are the top producer of many goods.However,as a grain producer, we fall significantly short of the domestic livestock and consumer needs of the state.We import over 10 million tons of grain and grain products annually,to satisfy those needs.These goods come from the balance of the U.S. and Canada,essentially all by rail.

The primary products from Canada are Canola Meal and Feed Barley.Canola is utilized by all segments of the livestock industry.Feed Barley is a primary ingredient in Dairy Feed.Due to our dependence on sourcing products nationwide we must have access to all areas of production inorder to insure our ability to service our customers.

Historically ,the BN and UP each had particular market segment strengths in California.Since the BN/SF merger ,we have seen the construction of 3 new feed handling facilities that are supported by the BN/SF ,which has caused a shift in market dynamics.The BN is the source of the majority of barley origination for our market.Prior to the merger,there was little evidence of differentiation in the market,hardly the picture today.

As rail mergers have evolved in the last few years,railroads have sought to gain internal efficiencies.In order to achieve those savings,rail carriers have increased the size of the the unit trains handled between customers.To accommodate these larger units both origin shippers and destination receivers have made large investments in additional rolling stock.They have also built larger handling and processing facilities to handle the loading and unloading of these trains in shorter periods of time.

We think that after the merger the single line haul rates on the BNSF/CN will give incentives to our competitors,while joint rates will be subject to higher costs.Currently the CN would view connections to either the UP or BNSF as similiar revenue.We are sure life will be different if the merger is complete.

If a direct line haul is created by merging the BNSF/CN then it could erode our ability to completely service our customers competitively.It would potentially reduce the multiple origins we currently can access without the merger.It would also strengthen the position of our competitors that are located on the BNSF.Our present market share would be in jeopardy as our customers were forced to go to our competition,because of their ability to source cheaper products.

A major consolidation like the BNSF/CN,will stimulate the need for more mergers and consolidations.This is typically the trend for most major industries as companies react to the changing marketplace to avoid losing a competitive advantage.

At the present time we find service and dependability from rail carriers is improving.We are encouraged that the industry seems to becoming in balance.We feel that continued major consolidation is not neccesary ,but in fact would only divert it's attention ,energy,and resources away from it's primary focus,it's customers.

What we need most are cooperative initiatives to improve interchange service and create efficiencies between exsisting carriers.This helps lower costs and eliminate the fierce pressures between carriers to equate efficiency with size.It would also minimize our risk as endusers to the continued reduction of origination sources.

We want the railroads to maintain financial strength and not be forced into making unnecessary decisions that could weaken their stability.A further reduction in the number of railroads,could also lead ro reregulation of the industry.This would only serve as a negative impact on the financial health of those remaining in the industry.

I thank the Board again for having us appear today and trust your judgement will be fair.